

Risk-Based Audit Process



A different approach to
building audit plans

Risk-Based Audit Process



- Based on analysis of critical business risks
- Uses a business focused audit approach
- Risks are identified in the context of the business
- The audit plan is driven by giving priority to the most critical risks

New Approach to Preparing Audit Plan



- Audits are defined in terms of expected outcomes
- Define business purpose and approach for everything that is done
- Determine what may impact business negatively
- Focus on what is proven to be beneficial
- Determine if risk exists
- Schedule audits in areas of identified risk

Key Business Risk Areas



- Legal Liability
- Regulatory Compliance
- Corporate Image
- Adverse Publicity
- Data Integrity
- Data Reliability
- Disaster Recovery
- Contingency Planning
- Financial
- Management Effectiveness
- Impact of service delays
- Confidentiality of data
- Level of Process Sophistication
- Changes in Operations

Components of Risk Assessment



- Define Risk
- Determine Probability
- Determine Exposure

Role of Internal Audit



- Add value to organization by aligning goals with those of management
- Contribute to the strategic planning process
- Parallel audits with Council Vision and Goals and the City's Work Plan
- Address issues of senior management interest

Role of Management



- Accept internal audit as a business partner
- Participate in process of determining areas of risk and opportunity
- Develop a stance based on the level of risk tolerance
- Take ownership of risks/opportunities

New Approach to Conducting Audits



- Focus on areas of identified risks
- Apply audit tools to analyze risk indicators
- Work with operating area to develop a plan of action
- Audit reports will indicate the risk area and describe the action plan adopted by management

Future of the Risk Management Plan



- Once developed, should be kept up-to-date
- Changes in operations and/or external forces may impact plan
- Certain risks may rise or fall as other risks rise and fall
- Periodic sharing of information between management and Internal Audit is essential